Course Description

The main objective of this course is to provide students with advanced economic/econometric tools needed to evaluate and design various government policies that may affect labor market outcomes. As the first section of the advanced labor economics sequence, this course introduces various empirical strategies in labor economics, including program evaluation approaches, nonparametric/semiparametric estimation methods, as well as identification and estimation of commonly used models of the labor market. Throughout this course, we will examine the strengths and weaknesses of alternative approaches in labor economics and how we can apply them in academic research and policy studies.

Assessment

The course grade will be based on in-class contributions and a research proposal. The distribution of the marks is as follows:

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<th>Assessment</th>
<th>Weight</th>
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<tr>
<td>In-class contributions</td>
<td>20%</td>
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<tr>
<td>Research presentations</td>
<td>30%</td>
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<tr>
<td>Research proposal</td>
<td>50%</td>
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A successful research proposal contains everything for a research paper but findings. It should have at least 10 pages (double-spaced, excluding references) and should include the following:

- a clear statement of your research question;
- brief motivation for the research question: Why is your question important? Why should the reader of your research proposal care your question? What is the policy relevance?
- review of the relevant literature
- description of proposed empirical strategy and data sources
- clear discussion of your potential contribution to the prior literature
- clear discussion of what challenges you expect to encounter.
Schedule

Please note that the following is a tentative schedule for the course. All changes in schedule will be announced in class in advance. Students are responsible for learning about these changes.

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<th>Topic</th>
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<td>Introduction</td>
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<td>02 (09/25)</td>
<td>Review of econometric toolkit</td>
<td>BD09</td>
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<td>03 (09/28)</td>
<td>Marginal policy evaluation: methods</td>
<td>CHV11</td>
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<td>04 (10/02)</td>
<td>Marginal policy evaluation: applications</td>
<td>BMW17, YAK17</td>
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<td>05 (10/05)</td>
<td>Roy models and selection bias</td>
<td>FT11</td>
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<td>06 (10/09)</td>
<td>Dynamic discrete choice models</td>
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<td>07 (10/12)</td>
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<td>08 (10/16)</td>
<td>Skill formation during childhood</td>
<td>CHLM06, CHS10, CLP16</td>
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<td>09 (10/19)</td>
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<td>K06, BR12, Y12, BMR16</td>
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<td>Social insurance and sufficient statistics approaches</td>
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<td>14 (11/06)</td>
<td>Presentations 3</td>
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References

1. Canonical Models of Skill Premium


** Kawaguchi and Mori (2016) EER. Why has Wage Inequality Evolved so Differently between Japan and the US? The Role of the Supply of College-Educated Workers. [KM16]


- Card and Lemieux (2001) QJE. Can Falling Supply Explain the Rising Return to College for Younger Men? A Cohort-Based Analysis


- Hendricks and Schoellman (2014) JME. Student Abilities During the Expansion of US Education

- Beaudry et al. (2016) JoLE. The Great Reversal in the Demand for Skill and Cognitive Tasks

2. Econometric Toolkit

** Blundtoolell and Duncan (1998) JHR. Kernel Regression in Empirical Microeconomics. [BD98]

** Blundell and Dias (2009) JHR. Alternative Approaches to Evaluation in Empirical Microeconomics. [BD09]

** Heckman (2010) JEL. Building Bridges Between Structural and Program Evaluation Approaches to Evaluating Policy

** Matzkin (2013) ARE. Nonparametric Identification in Structural Economic Models

- Imbens and Angrist (1994) EMA. Identification and Estimation of Local Average Treatment Effects


- Heckman (1999) JHR. Instrumental Variables: Response to Angrist and Imbens

3. Roy Models and Marginal Policy Evaluation Methods


** Cunha et al. (2005) OEP. Separating Uncertainty from Heterogeneity in Life Cycle Earnings. [CHN05]

** Carneiro et al. (2011) AER. Estimating Marginal Returns to Education. [CHV11]


** Carneiro et al. (2016) JAE. Average and Marginal Returns to Upper Secondary Schooling in Indonesia. [CLU16]

** Brinch et al. (2017) JPE. Beyond LATE with a Discrete Instrument: Heterogeneity in the Quantity-Quality Interaction of Children [BMW17]


- Heckman (1979) EMA. Sample Selection Bias as a Specification Error

- Heckman and Honore (1990) EMA. The Empirical Content of the Roy Model

- Dahl (2002) EMA. Mobility and the Return to Education: Testing a Roy Model with Multiple Markets

- Heckman et al. (2006) HoEE. Earnings Functions, Rates of Return and Treatment Effects: The Mincer Equation and Beyond

- Heckman et al. (2008) JHC. Earnings Functions and Rates of Return

- Mulligan and Rubinstein (2008) QJE. Selection, Investment, and Women’s Relative Wages over Time

- Carneiro et al. (2010) EMA. Evaluating Marginal Policy Changes and the Average Effect of Treatment for Individuals at the Margin

- Meghir and Rivkin (2011) HoEE. Econometric Methods for Research in Education
- Cunha and Heckman (2016) JoLE. Decomposing Trends in Inequality in Earnings into Forecastable and Uncertain Components
- Onozuka (2016) JJIE. The Gender Wage Gap and Sample Selection in Japan

4. Dynamic Discrete Choice Models


** Kennan and Walker (2011) EMA. The Effect of Expected Income on Individual Migration Decisions


- Keane and Wolpin (1997) JPE. The Career Decisions of Young Men


5. Lifecycle Skill Formation

** Cunha et al. (2006) HoEE. Interpreting the Evidence on Life Cycle Skill Formation. [CHLM06]

** Kuruscu (2006) AER. Training and Lifetime Income. [K06]

** Cunha et al. (2010) EMA. Estimating the Technology of Cognitive and Noncognitive Skill Formation. [CHS10]

** Lochner and Monge-Naranjo (2012) ARE. Credit Constraints in Education. [LM12]

** Bowlus and Robinson (2012) AER. Human Capital Prices, Productivity, and Growth. [BR12]

** Yamaguchi (2012) JoLE. Tasks and Heterogeneous Human Capital. [Y12]

** Caucutt et al. (2016) SJE. Correlation, Consumption, Confusion, or Constraints: Why Do Poor Children Perform so Poorly? [CLP16]

** Bowlus et al. (2016) JoEA. Ageing and the Skill Portfolio: Evidence from Job Based Skill Measures. [BMR16]

- Ben-Porath (1967) JPE. The Production of Human Capital and the Life Cycle of Earnings


- Belly and Lochner (2007) JHC. The Changing Role of Family Income and Ability in Determining Educational Achievement

- Heckman et al. (2010) JPubE. The Rate of Return to the HighScope Perry Preschool Program

- Currie and Almond (2010) HoLE. Human Capital Development before Age Five

- Oster et al. (2012) AER. Limited Life Expectancy, Human Capital and Health Investments


- Heckman et al. (2013) AER. Understanding the Mechanisms Through Which an Influential Early Childhood Program Boosted Adult Outcomes

- Del Boca et al. (2014) ReStud. Household Choices and Child Development
- Altonji et al. (2016) HoEE. The Analysis of Field Choice in College and Graduate School: Determinants and Wage Effects
- Garcia et al. (2016) The Life-Cycle Benefits of an Influential Early Childhood Program

6. Sufficient Statistics Approaches

** Chetty (2009) ARE. Sufficient Statistics for Welfare Analysis: A Bridge Between Structural and Reduced-Form Methods. [C09]


7. Managerial Compensation

** Murphy (1999) HoLE. Executive Compensation. [M99]

** Gayle and Miller (2009) AER. Has Moral Hazard Become a More Important Factor in Managerial Compensation? [GM09]


- Gabaix and Landier (2008) QJE. Why has CEO Pay Increased So Much?
- Gayle and Miller (2009) CES. Insider Information and Performance Pay
- Gayle et al. (2012) JoLE. Gender Differences in Executive Compensation and Job Mobility
- Gayle et al. (2015) EMA Promotion, Turnover, and Compensation in the Executive Labor Market